

Program Legislative Budget

The following table summarizes the legislative budget proposal for the program by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	52.00	0.00	22.00	74.00	0.00	22.00	74.00	74.00
Personal Services	2,291,742	210,123	1,029,911	3,531,776	208,855	1,027,034	3,527,631	7,059,407
Operating Expenses	5,809,215	188,641	1,164,314	7,162,170	189,632	1,245,330	7,244,177	14,406,347
Grants	19	0	597,918	597,937	0	1,304,061	1,304,080	1,902,017
Benefits & Claims	347,662,820	62,457,055	69,376,360	479,496,235	90,808,962	61,175,519	499,647,301	979,143,536
Transfers	0	0	0	0	0	0	0	0
Debt Service	2,282	0	0	2,282	0	0	2,282	4,564
Total Costs	\$355,766,078	\$62,855,819	\$72,168,503	\$490,790,400	\$91,207,449	\$64,751,944	\$511,725,471	\$1,002,515,871
General Fund	71,665,419	25,676,781	612,666	97,954,866	33,660,551	(318,572)	105,007,398	202,962,264
State/Other Special	5,428,379	2,213,254	19,967,983	27,609,616	2,726,406	19,414,497	27,569,282	55,178,898
Federal Special	278,672,280	34,965,784	51,587,854	365,225,918	54,820,492	45,656,019	379,148,791	744,374,709
Total Funds	\$355,766,078	\$62,855,819	\$72,168,503	\$490,790,400	\$91,207,449	\$64,751,944	\$511,725,471	\$1,002,515,871

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Legislative Budget Analysis, B-144

Funding

The Health Resources Division (HRD) is funded with general fund, state special revenue, and federal funds. The single most significant funding source is federal Medicaid matching funds, which account for nearly 70 percent of the FY 2007 appropriation when administrative and services funding is combined. The next most significant source of funding is general fund, which rises from 20 percent of base budget funding to 21 percent of the FY 2007 request.

The majority (97 percent) of general fund in HRD is used to match federal Medicaid and Children's Health Insurance Program (CHIP) funds to provide direct services to individuals. About \$3 million funds administrative costs, and again, primarily the state match for Medicaid and CHIP program administration.

General fund increases nearly \$60 million comparing the 2007 biennium appropriation to base budget expenditures. The increase is due to projected growth in Medicaid costs and changes in the state match rate for Medicaid and CHIP. During the base budget year, the federal Medicaid match rate was raised temporarily by 2.95 percent, which causes 2007 biennium general fund costs to increase \$15 million in order to maintain the same level of Medicaid services. In addition, the normal annual adjustments to the federal Medicaid matching rate will increase the state match rate for Medicaid and CHIP during the 2007 biennium, causing general fund costs to increase \$15 million to maintain the same level of services. Altogether, changes in the state Medicaid match rate total \$28 million or 48 percent of the \$59 million general fund increase. The largest share of the remaining balance of general fund change is due to Medicaid caseload growth (\$28 million), which is partially offset by anticipated savings due to enhanced management and oversight (\$2 million).

State special revenue provides 2 percent of base budget funding and rises to 5 percent in FY 2007. Sources of state special revenue and activities:

- Hospital utilization fee (\$25 million over the biennium) – a per inpatient bed day fee used as state match to draw down additional federal matching funds to increase Medicaid payments to hospitals Medicaid third party revenue from private insurance payments - state Medicaid match costs
- I-149 state special tobacco tax revenue from the Health and Medicaid Initiatives account (\$16 million over the biennium) – Medicaid match for rate increases and some service and eligibility expansions
- Tobacco settlement funds (\$6 million over the biennium) - allocation to fund state CHIP match

- o Interest from the tobacco settlement constitutional trust fund (\$5.5 million over the biennium) – state Medicaid match

Federal funds include:

- o Federal Medicaid matching funds (\$620 million over the biennium) – services and administrative costs
- o CHIP federal matching funds (\$40 million over the biennium) – CHIP health services and administrative costs
- o SAMHSA Grant (\$3 million over the biennium) – federal Substance Abuse and Mental Health Services Administration grant to support development of children's system of care
- o Maternal and Child Health Block Grant (\$2 million over the biennium) – federal funds for Children's Special Health Clinic Services

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget adopted by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----					-----Fiscal 2007-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				332,348						330,989
Vacancy Savings				(104,962)						(104,910)
Inflation/Deflation				(2,324)						(2,286)
Fixed Costs				12,965						13,918
Total Statewide Present Law Adjustments				\$238,027						\$237,711
DP 13 - Medicaid Caseload - Child and Adult Medicaid	0.00	9,487,750	884,154	25,730,515	36,102,419	0.00	14,832,975	1,374,154	38,706,315	54,913,444
DP 14 - Medicaid Caseload - Medicare Buy-In Program	0.00	938,495	0	2,265,655	3,204,150	0.00	1,424,855	0	3,337,362	4,762,217
DP 17 - Medicaid Caseload - Children's Mental Health	0.00	1,083,037	0	2,614,596	3,697,633	0.00	1,290,572	0	3,022,836	4,313,408
DP 20 - Medicaid Caseload - Breast and Cervical Cancer	0.00	174,109	0	680,205	854,314	0.00	256,827	0	971,423	1,228,250
DP 23 - FMAP Enhancement Adjustment-Child & Adult Medicaid	0.00	7,504,153	0	(7,504,153)	0	0.00	7,504,153	0	(7,504,153)	0
DP 29 - FMAP Adjustment - Child and Adult Medicaid	0.00	6,189,028	0	(6,189,028)	0	0.00	8,045,737	0	(8,045,737)	0
DP 57 - Transportation Contract Federal Rate Change	0.00	150,000	0	0	150,000	0.00	150,000	0	0	150,000
DP 60 - Rural Health Clinics / Qualified Health Centers	0.00	54,319	0	133,181	187,500	0.00	57,667	0	135,458	193,125
DP 67 - Foundation Contract / Acute Care	0.00	8,112	0	19,888	28,000	0.00	8,361	0	19,639	28,000
DP 121 - Indian Health Services	0.00	0	0	9,580,561	9,580,561	0.00	0	0	15,593,793	15,593,793
DP 122 - School Based Services	0.00	0	0	7,507,268	7,507,268	0.00	0	0	8,457,993	8,457,993
DP 3401 - Medicaid Match - I-149 Revenue (Requires Legislation)	0.00	0	1,323,210	0	1,323,210	0.00	0	1,346,732	0	1,346,732
DP 9999 - Statewide FTE Reduction	0.00	(17,263)	0	0	(17,263)	0.00	(17,224)	0	0	(17,224)
Total Other Present Law Adjustments	0.00	\$25,571,740	\$2,207,364	\$34,838,688	\$62,617,792	0.00	\$33,553,923	\$2,720,886	\$54,694,929	\$90,969,738
Grand Total All Present Law Adjustments				\$62,855,819						\$91,207,449

DP 13 - Medicaid Caseload - Child and Adult Medicaid - The legislature added \$91 million total funds, including \$24 million in general fund, over the biennium for Medicaid caseload growth and changes in service utilization. Costs are estimated to grow by slightly less than 6 percent per year. The caseload changes are considered a present law adjustment since these Medicaid services are an entitlement – meaning that all persons eligible for services must be provided medically necessary services.

DPHHS uses a complex set of projections from several sources to estimate these changes. Statistics and trends relating to monthly eligibility, type of provider, number of services, cost per service, and health care inflation are taken into account in the projections. This adjustment includes only projected changes in the eligible population, and changes in the acuity level of the eligible population.

DP 14 - Medicaid Caseload - Medicare Buy-In Program - The legislature approved the executive request for \$8 million over the biennium with \$2 million general fund to pay expected increases in premiums for Medicare Part A and Part B and in the number of persons eligible for coverage. The Medicare buy-in program allows state Medicaid programs to purchase Medicare coverage through premium payments for Medicaid recipients who are dually eligible for Medicare and Medicaid. Medicare then covers the cost of most services for the individual with no further Medicaid liability. Medicaid would only be liable for the costs of non-Medicare covered services, and for co-insurance and deductibles related to services utilized.

This request does not include any increases due to outreach for the new Medicare Part D prescription drug program, which is expected to persons eligible for the Buy-In, but not enrolled.

DP 17 - Medicaid Caseload - Children's Mental Health - The legislature accepted the executive request to add close to \$8 million in all funds, including nearly \$2.4 million in general fund and \$5.6 million in federal funds, over the biennium for Medicaid caseload growth in the Children's Mental Health program. The increase is about 2 percent per year, which is much lower than Medicaid cost increases over the last four years. Service reductions and other cost saving measures implemented during the 2003 biennium appear to have slowed cost growth.

DP 20 - Medicaid Caseload - Breast and Cervical Cancer - The legislature accepted the executive request to add \$2 million for the biennium including \$0.4 million general fund to provide continued funding for Medicaid expenditures related to the breast and cervical cancer treatment program for those individuals determined to be Medicaid eligible.

DP 23 - FMAP Enhancement Adjustment-Child & Adult Medicaid - The federal Medicaid match rate was raised temporarily by 2.95 percent in FY 2004 as part of federal fiscal relief for states. This proposal adds \$15 million general fund and reduces federal funds by a like amount to reflect the fiscal impact and loss of the temporary reduction.

DP 29 - FMAP Adjustment - Child and Adult Medicaid - This adjustment adds \$13 million general fund and reduces federal funds by a like amount to reflect the annual changes in federal Medicaid match rates that will occur during the 2007 biennium. The federal match rate for each state is determined by changes in the per capita income of a state compared to national per capita income. This fund switch supports the level of Medicaid expenditures in FY 2004 only, while DP 13 includes the match rate change for caseload and service utilization growth as a part of the caseload changes for the 2007 biennium.

DP 57 - Transportation Contract Federal Rate Change - The legislature appropriated \$0.3 million general fund due to a recent federal rule change made by the Center for Medicare and Medicaid Services (CMS). The federal matching rate for the transportation utilization contract was reduced from 75 to 50 percent. The contract controls costs in the transportation program by ensuring that clients are utilizing medical services closest to their home and that the client attended the medical appointment. This change adjusts current level expenditures for the new match rate.

DP 60 - Rural Health Clinics / Qualified Health Centers - The legislature accepted the executive request to add \$0.4 million, including \$0.1 million general fund, to pay for Medicaid services provided by Rural Health Clinics and Federally Qualified Health Centers. These centers provide services funded by Medicaid. These facilities are paid an all-inclusive prospective payment amount per patient visit. The per visit payment amounts are required to be increased each year by the Medicare Economic Index due to the federal Benefit Improvement and Protection Act.

DP 67 - Foundation Contract / Acute Care - The legislature accepted the executive request to add \$28,000 per year to reissue a contract for utilization review services, funded 25 percent general fund and 75 percent federal funds. The additional amount covers an increase in the number of non-emergent hospital emergency department claims that would be reviewed and an increase in the number of cases being sent to peer review. The current contract duties include:

- Review of out-of-state inpatient hospital admissions - it is the intent of the Montana Medicaid program to require Medicaid recipients to utilize services available within the State of Montana when it is medically appropriate
- Review of in-state inpatient rehabilitation admissions – DPHHS requires prior authorization (PA) and continued stay reviews for these services to avoid reimbursement of services not requiring acute inpatient care
- Prior authorization of transplant services – Prior authorization is required on all transplant services for children and for the four services covered for adults
- Retrospective review to determine appropriateness of treatment
- Management of high cost cases
- Medical consultation support
- Coordination of activity with the transportation authorization contractor

DP 121 - Indian Health Services - The legislature appropriated \$25 million in federal funds for Indian Health Services caseload and the federal rate increases for the Medicaid Indian Health Services program, which is 100 percent federally funded. The Montana Indian Health Services is making a concerted effort to identify all Medicaid eligible persons who are also Indian Health Services recipients and to bill appropriately for services. Accordingly, this program has had substantial growth in the past and is expected to continue to grow through the next biennium.

The legislative initiative (DP 3602 – Tribal Programs in the Director's Office) adds funding for 1.00 FTE to assist tribes in accessing federal Medicaid pass through funding to help support Indian Health Services.

DP 122 - School Based Services - The legislature added \$16 million in federal authority for the Medicaid school-based services contract. Montana schools are providing services that are eligible for federal Medicaid reimbursement and have a potential for receiving a reimbursement of \$7 to \$10 million in covered Medicaid services. FY 2004 base expenditures were \$6 million.

DP 3401 - Medicaid Match - I-149 Revenue (Requires Legislation) - The legislature accepted the executive recommendation to use \$2.6 million in tobacco settlement state special revenue funds over the biennium for Medicaid matching funds. Federal matching funds of \$4 million are also appropriated.

DP 9999 - Statewide FTE Reduction - The legislature accepted the executive proposal to reduce personal services funding equivalent to the reduction taken in the 2003 legislative session, but did not remove 0.75 FTE as included in the executive budget. An additional \$34,000 general fund in vacancy savings was applied over the biennium.

New Proposals

New Proposals											
-----Fiscal 2006-----						-----Fiscal 2007-----					
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 38 - Manage Medicaid Pharmacy Program											
11	1.00	(1,165,170)		0	(3,353,302)	(4,518,472)	1.00	(834,359)	0	(2,494,238)	(3,328,597)
DP 42 - Enhance Efficiency of Children's Mental Health Svc											
11	5.00	(55,958)		0	(418,384)	(474,342)	5.00	(54,354)	0	(395,714)	(450,068)
DP 43 - Medicaid Cost Analysis											
11	2.00	(19,573)		0	(122,865)	(142,438)	2.00	(24,179)	0	(124,578)	(148,757)
DP 44 - Medicaid Passport Services											
11	2.00	(13,425)		0	(14,426)	(27,851)	2.00	(13,520)	0	(14,559)	(28,079)
DP 110 - Continuation of Hospital Provider Tax (Requires Legislation)											
11	0.00	0	11,504,525	27,560,392	39,064,917	0.00	0	13,171,367	30,733,189	43,904,556	
DP 115 - Specialty Clinic Cost Recovery (Requires Legislation)											
11	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000	
DP 146 - Develop System of Care for Children											
11	7.00	0	0	1,116,289	1,116,289	7.00	0	0	1,865,615	1,865,615	
DP 3009 - Medicaid - Biennial											
11	0.00	0	601,571	1,452,473	2,054,044	0.00	0	0	0	0	
DP 3192 - CHIP Enrollment to 10,900 Children Funding											
11	0.00	607,840	304,531	2,140,799	3,053,170	0.00	607,840	875,113	3,596,735	5,079,688	
DP 3206 - CHIP Expansion by 3,000 Children											
11	0.00	0	2,043,906	6,382,270	8,426,176	0.00	0	2,118,045	5,862,008	7,980,053	
DP 3603 - Physician Rate Increase											
11	0.00	400,000	1,200,000	3,862,615	5,462,615	0.00	0	0	0	0	
DP 3604 - Raise the Medicaid Asset Limit for Children											
11	0.00	0	1,876,316	4,529,679	6,405,995	0.00	0	0	0	0	
DP 3605 - Additional Medicaid Management Staff											
11	5.00	0	0	(166,774)	(166,774)	5.00	0	0	(157,835)	(157,835)	
DP 3606 - Children's Mental Health Provider Rate Increase											
11	0.00	0	1,000,000	2,414,135	3,414,135	0.00	0	0	0	0	
DP 3609 - Income Tax Check Off - End Stage Renal											
11	0.00	0	24,000	0	24,000	0.00	0	24,000	0	24,000	
DP 3700 - Nonhospital Provider Rate Increase, Dental Access											
11	0.00	858,952	858,952	5,410,263	7,128,167	0.00	0	2,253,872	5,094,061	7,347,933	
DP 3701 - Cardiac and Pulmonary Rehabilitation											
11	0.00	0	56,465	136,314	192,779	0.00	0	120,750	282,826	403,576	
DP 3702 - Flexible Funds for SED Waiver											
11	0.00	0	0	0	0	0.00	0	50,000	117,112	167,112	
DP 3703 - Children's Special Health Care Clinic											
11	0.00	0	25,000	0	25,000	0.00	0	50,000	0	50,000	
DP 3704 - EPSDT and Rate Increases											
11	0.00	0	272,717	658,376	931,093	0.00	0	551,350	1,291,397	1,842,747	
Total	22.00	\$612,666	\$19,967,983	\$51,587,854	\$72,168,503	22.00	(\$318,572)	\$19,414,497	\$45,656,019	\$64,751,944	

DP 38 - Manage Medicaid Pharmacy Program - The legislature added funds to support 1.00 new FTE and offset administrative costs with savings of nearly \$2 million in general fund and \$8 million in total funds. This proposal will provide for the implementation, monitoring, and management of the Medicare "clawback" provision, the utilization of prescription drugs, the preferred drug list program, and the pharmacy audit review. The clawback provision and changes in drug coverage due to the Medicare Modernization Act are discussed in greater detail in the DPHHS overview.

This appropriation will also fund contract increases to hire an additional 0.50 FTE pharmacist to ensure Medicaid recipients are using prescription drugs appropriately. The current contract supports 0.50 FTE to perform the pharmacy case management program. The program has been functional since October 2003 and through June 2004; the total projected annualized cost savings are \$449,038 for FY 2004. Due to several months of start-up, the annualized savings are projected to be \$697,000 in total funds. By hiring a new 0.50 pharmacist, the HRD estimates it could double the annual estimated savings.

This appropriation will also permanently fund the 1.00 FTE modified position to administer the preferred drug list (PDL) to reduce the growth rate of the Medicaid Pharmacy program.

DP 42 - Enhance Efficiency of Children's Mental Health Svc - The legislature accepted the executive proposal to fund 5.00 new FTE for children's mental health services and to reduce service costs as a result of work done by the new employees. The duties of the new FTE will be to monitor contracted services, and to identify and resolve problems. HRD anticipates the new FTE will enhance efficiency of services to severely emotionally disturbed (SED) youth and families through coordination and development of Kids Management Authorities (KMAs), improve treatment coordination planning among multiple agencies, and facilitate problem resolution at the local level.

This decision package includes increases in administrative costs totaling \$800,000, over the biennium, which are more than offset by anticipated savings of about \$920,000. The total cost change nets to reductions of \$110,312 general fund and \$924,410 federal funds over the 2007 biennium.

DP 43 - Medicaid Cost Analysis - The legislature funded 2.00 new FTE that are currently in modified, off budget positions. The FTE were hired to perform functions previously provided through a private contractor and contracted expenses were reduced.

These positions will perform selected analysis of Medicaid claims to identify areas where efficiencies can be made and services improved. For instance, the FTE will review emergency room utilization to determine whether persons should have been treated in a different setting and how to get persons to access more appropriate, less costly services.

DP 44 - Medicaid Passport Services - The legislature added funds for 2.00 FTE that are currently in modified, off budget positions. These positions are responsible for quality assurance and utilization review activities designed to maintain and improve medical access and quality of care through the Medicaid Passport program. HRD is estimating biennial savings of \$26,945 general fund and \$55,930 total funds due to this change. DPHHS hired staff to replace a contracted function at an estimated savings of \$27,000 general fund and \$29,000 federal funds over the 2007 biennium.

DP 110 - Continuation of Hospital Provider Tax (Requires Legislation) - The legislature appropriated \$25 million state special revenue and \$58 million federal authority over the biennium to continue the daily utilization fee paid by all hospitals and the increased payments to hospitals providing Medicaid services. The appropriation is contingent on passage and approval of SB 120. The 2003 Legislature initiated and funded this program through HB 481, which terminates on June 30, 2005. This tax assesses hospitals a fee per inpatient day. The state in turn uses the fee income to match with federal Medicaid funds to increase hospital Medicaid reimbursements.

The utilization fee collected from the hospitals is estimated to be \$11.5 million for FY 2006 and \$13 million for FY 2007, which is matched with federal funds to produce additional hospital Medicaid payments of \$39 million for FY 2006 and \$44 million for FY 2007.

DP 115 - Specialty Clinic Cost Recovery (Requires Legislation) - The legislature accepted the executive request for \$200,000 per year in state special revenue authority for the Children's Special Health Services (CSHS) specialty clinics to recover costs of services from patients and their insurance. These clinics provide comprehensive, multi-disciplinary care for children with cleft, craniofacial, or metabolic disorders.

DP 146 - Develop System of Care for Children - The legislature approved the executive request for \$3 million federal funds over the biennium, including funds for 7.00 new FTE to further the development of the children's system of care. The funds are available through a grant from the Substance Abuse and Mental Health Services Administration (SAMSHA). This grant is intended to assist Montana in the development of a system of care for children with a serious emotional disturbance (SED), and to implement and expand local Kids Management Authorities. The grant requires a 25 percent match (either state or in kind).

Several of the entities that are collaborating with the division in the development of the system of care are contributing matching funds, including \$250,000 of in-kind match from the Crow Tribe. The division will reduce a contract for pre-authorization and utilization reviews of children's mental health services to provide \$50,000 in general fund match for the grant.

Four of the FTE will be located in Helena, while the remaining three will be field staff located at local project sights. These staff will carry out the terms of the federal contract/grant, which include administration of the grant, data collection, analysis and reporting, training coordination, social marketing and communication efforts, development of parent advocacy organizations, and improvement of the children's mental health service delivery system for SED youth.

The legislature expressed its concern of the potential ongoing and increasing state cost associated with administering the processes implemented through the federal grant. Legislative and division staff will review the costs of continuing the system of care with the 2007 Legislature.

DP 3009 - Medicaid - Biennial - The legislature accepted the executive recommendation to use \$601,571 in I-149 tobacco tax state special revenue over the biennium to continue Medicaid services at the level of the 2005 biennium. During the 2005 biennium, these services were funded through a one-time diversion of tobacco settlement funds authorized in 17-6-606, MCA (SB 485). Federal matching funds of \$1.5 million are also included in the appropriation.

DP 3192 - CHIP Enrollment to 10,900 Children Funding - The legislature accepted the executive request for total funds of over \$7 million for the biennium to maintain CHIP enrollment at 10,900 children. State matching funds include an increase of \$0.4 million in I-149 tobacco tax state special revenue, \$0.8 million in tobacco settlement funds, \$1.2 million in general fund and, a \$5.3 million increase in federal funds. This funding mix will pay for health care coverage for 10,900 children and will allow for stable monthly enrollment in the program.

The legislature added \$2.2 million general fund, offsetting a like amount of I-149 state special revenue funds that had been included in the executive request. The full amount of general fund included in DP 3192 is less because the executive budget had removed about \$0.5 million in general fund spent in the base budget. The legislature made the change to comply with statute enacted by passage of I-149, which does not allow use of increased tobacco tax revenue to offset state funding appropriated for CHIP during the 2005 biennium. The total state appropriation for CHIP over the 2005 biennium was \$6,585,738. Altogether general fund and tobacco settlement revenue support \$3 million of the 2007 biennium appropriation.

DP 3206 - CHIP Expansion by 3,000 Children - The legislature approved the executive request for \$17.2 million over the biennium to expand the Children's Health Insurance Program (CHIP) by 3,000 children. Together with the request included in NP 3192, CHIP enrollment will be about 13,900 each year of the 2007 biennium. The appropriation includes \$4.2 million in state special revenue from the I-149 tobacco tax and \$13.0 million in CHIP and Medicaid federal matching funds. This funding mix will pay for additional CHIP and associated Medicaid coverage for 3,000 children, because during CHIP outreach children who are eligible for Medicaid are also discovered.

DP 3603 - Physician Rate Increase - The legislature added \$5.5 million total funds, \$1.2 million tobacco state special revenue (I-149) and \$0.4 million general fund over the biennium to bring Medicaid rates for physician services up to 85 percent of the rate paid by Medicare. The legislature also added a condition that the rate increase be implemented by July 15, 2005, in order for the department to use its appropriations for several large divisions within DPHHS, including the Health Resources Division.

DP 3604 - Raise the Medicaid Asset Limit for Children - The legislature added \$1.9 million I-149 tobacco tax state special revenue and \$4.6 million federal funds over the biennium to change the Medicaid asset test for children contingent on passage and approval of HB 552, which raises the asset limit from \$3,000 to \$15,000 for a family. Medicaid has both a financial eligibility component and an asset component. Examples of assets that are included in Medicaid eligibility determination are: vehicles, boats, checking and savings account balances, burial policies, and tools. The appropriation is contingent on meeting the expenditure limitation in 17-8-106, MCA. HB 552 also contains an appropriation for implementation of \$1.9 million in I-149 tobacco tax state special revenue.

DP 3605 - Additional Medicaid Management Staff - The legislature added 5.00 FTE to expand Medicaid program management and oversight. Increases in operating costs (about \$470,000 over the biennium) are offset by service cost containment, netting to no overall increase in general fund costs and a reduction of about \$320,000 in federal funds. The

legislature also requested that the department report to the members of the 2005 legislative Joint Appropriations Subcommittee on Health and Human Services about the projects undertaken by these FTE and estimated cost savings, efficiencies, and program enhancements.

The addition of these management/analyst staff were one of the reasons that the legislature reduced Medicaid general fund appropriations across the department by \$500,000 in FY 2007. The reduction is included in the Director's Office, with language specifying that the reduction may be allocated across all Medicaid programs as cost efficiencies, care improvements, and other innovations are applied.

DP 3606 - Children's Mental Health Provider Rate Increase - The legislature added \$1 million in tobacco tax revenue funded from I-149 for provider rate increases for children's mental health services. Federal Medicaid matching funds of \$2 million were also approved.

The legislature added language that the funds must be used for direct care worker wage increases and that wages must be raised by 75 cents an hour and in addition benefit reimbursement must be raised by 26 cents per hour. If funds in this decision package are insufficient to raise wages by the amount intended, the department may also apply funds from the rate increase included in DP 3700, which includes funds for a 6 percent rate increase in FY 2006. The department must provide documentation regarding implementation of this appropriation. The wage increases must be implemented by October 1, 2005.

DP 3609 - Income Tax Check Off - End Stage Renal - The legislature added \$24,000 per year for the end stage renal income tax program check off contingent on passage and approval of SB 85.

DP 3700 - Nonhospital Provider Rate Increase, Dental Access - The legislature approved the executive request for several provider rate increases and funds to increase access to dental services. The provider rate increases funded in this decision package are:

- Physician rate increases
- Children's mental health rate increase - 6 percent
- Maternity rate increase
- Neonatal services (to be paid at cost)

Appropriations also include funds to contract directly with dentists, potentially through Federally Qualified Health Centers, to provide dental services to Medicaid clients.

The legislature added language to HB 2 requiring these rate increases and service expansions to be implemented by July 15, 2005, if the department accepts major appropriations that support several large divisions within DPHHS.

DP 3701 - Cardiac and Pulmonary Rehabilitation - The legislature accepted the executive proposal to add state special revenue from I-149 tobacco funds as Medicaid match to fund cardiac and pulmonary rehabilitation services. The legislature reduced the appropriation and delayed implementation until January 1, 2006. The legislature approved about \$200,000 in state matching funds and about \$400,000 in federal Medicaid matching funds over the biennium.

DP 3702 - Flexible Funds for SED Waiver - The legislature accepted the executive proposal to appropriate \$50,000 of state special revenue from the Health and Medicaid Initiatives Account created by the passage of I-149 and \$117,122 in federal Medicaid matching funds to create funding for innovative services for children with a serious emotional disturbance (SED). This funding will help fund services that can support SED children in their families and communities to provide better outcomes for children. The proposal is one component of the development of the children's system of care.

DP 3703 - Children's Special Health Care Clinic - The legislature accepted the executive proposal to use Health and Medicaid Initiative Funds (I-149) to fund additional clinics for children with special health needs. The legislature delayed implementation of the expansion from July 1, 2005 to January 1, 2006.

DP 3704 - EPSDT and Rate Increases - The legislature accepted the executive proposal to use I-149 funds as state Medicaid match to increase EPSDT (Early Periodic Screening, Diagnosis, and Treatment) for children and to provide rate increases for hospitals and ambulatory surgical centers. The legislature delayed implementation of the expansions until January 1, 2006. The total appropriation for these initiatives is about \$900,000 state special revenue over the biennium and about \$1.8 million in federal matching funds.

Language

The legislature approved the following language for inclusion in HB2:

"Health Resources Division includes more than \$80 million annually in general fund money and federal special revenue for medicaid prescription drug costs. Effective January 1, 2006, with implementation of the medicare prescription drug benefit, medicaid prescription costs will decline at least 50%. Funds appropriated for medicaid prescription drug costs that would have been paid absent the medicare benefit may be used for the clawback payment to the federal government, for administrative costs to determine eligibility for the medicare low-income prescription discount and to manage appeals and grievances related to the medicare prescription drug plan, and to update computer systems and implement federally required electronic transactions for the medicare prescription drug plan. The department shall report to the legislative finance committee by September 1, 2005, and every 3 months thereafter on its plan to implement administrative duties related to the new medicare prescription drug benefit, progress in accomplishing major milestones in the plan, the costs that it has incurred, and other issues that it considers important.

Health Resources Division includes \$326,000 in general fund money and federal special revenue over the biennium to contract for review and approval of certain medicaid expenditures. The department shall report to the legislative finance committee by September 1, 2005, and every 6 months thereafter the types of reviews and outcomes because of this contract. The report must specifically include information on admissions to out-of-state hospitals.

Health Resources Division includes funds to hire 2 FTE to perform analysis of the medicaid program to identify cost-saving measures. The department shall report to the legislative finance committee by September 1, 2005, and every 6 months thereafter the types of reviews and outcomes because of the activities of the FTE.

Health Resources Division includes funding for 2 FTE to manage and evaluate the passport to health program. The department shall report to the legislative finance committee by September 1, 2005, and every six months thereafter the types of reviews and outcomes because of the activities of the FTE.

Health Resources Division includes funding to support a contract for low-income medicaid recipients to call a "nurse first" line to help determine appropriate medical treatment. The department shall report to the legislative finance committee by January 1, 2006, on whether this contract could be expanded to include the children's health insurance program and if cost-savings would be generated because of such an expansion.

If Senate Bill No. 85 is not passed and approved, the funding in Health Resources Division is decreased by \$24,000 in state special revenue each year of the biennium.

Hospital Utilization Fee is contingent up passage and approval of Senate Bill No. 120.

Physician Rate Increase may be used only to raise physician medicaid reimbursement closer to 95% of the medicare payment rate.

Item Additional Medicaid Management Staff may be used only for staff and operating costs. The funds may be used only to expand the team care program and for staff and operating costs for the physician, hospital, pharmacy, and passport medicaid programs. Funding for Additional Medicaid Management Staff must also be used to produce efficiencies and better access to the appropriate level of medical care. The department shall prepare a report explaining the results of these expansions and projects by September 1, 2006, for the legislative finance committee.

The direct-care wage increase for Children's Mental Health Rate Increase must be implemented no later than October 1, 2005."